

COUNTY OF MILWAUKEE

LIST OF PRINCIPAL OFFICIALS

ELECTED

County Executive	-	Scott Walker
County Treasurer	-	Daniel Diliberti
District Attorney	-	John T. Chisholm
County Clerk	-	Mark Ryan
Clerk of Courts	-	John Barrett
Sheriff	-	David Clarke Jr.
Register of Deeds	-	John La Fave

Supervisors and Their District by Number

1- James G. White	11- Mark A. Borkowski
2- Toni M. Clark	12- Peggy West
3- Gerry P. Broderick	13- Willie Johnson, Jr.
4- Marina Dimitrijevic	14- Richard D. Nyklewicz, Jr.
5- Lee Holloway	15- Lynne D. De Bruin
6- Joseph Rice	16- John F. Weishan, Jr.
7- Michael Mayo, Sr.	17- Dan Devine
8- Patricia Jursik	18- Roger H. Quindel
9- Paul M. Cesarz	19- James Schmitt
10- Elizabeth M. Coggs	

APPOINTED

<u>Departments</u>	<u>Title</u>	<u>Name</u>
Administration	Director	Rob Henken
Human Services	Director	Corey Hoze
Admin - Human Resources	Director	Dr. Karen R. Jackson
Parks, Recreation, and Culture	Director	Susan Black
Transportation and Public Works	Director	George A. Torres
Aging	Director	Stephanie Sue Stein
Audit	Director	Jerome Heer
Circuit Courts	Chief Judge	Kitty K. Brennan
Child Support Enforcement	Director	LisaJo Marks
Corporation Counsel	Corporation Counsel	William Domina
DHHS – Behavioral Health	Administrator	John Chianelli
Employee Benefits	Administrator	David Arena
Family Court Commissioner	Commissioner	Michael J. Bruch

COUNTY OF MILWAUKEE
LIST OF PRINCIPAL OFFICIALS

APPOINTED Continued

<u>Departments</u>	<u>Title</u>	<u>Name</u>
House of Correction	Superintendent	Ronald Malone
Labor Relations	Director	Gregory L. Gracz
Medical Examiner	Medical Examiner	Dr. Jeffrey Jentzen
Office for Persons with Disabilities	Director	Donald Natzke
Register in Probate	Register in Probate	Robert R. Knoll
Zoological Department	Director	Charles Wikenhauser



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FINANCIAL SECTION

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**

Management's Discussion and Analysis

Required Supplementary Information

This section of the County of Milwaukee's comprehensive annual financial report provides a narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The County's assets exceeded its liabilities by \$ 388,986 on a government-wide basis as of December 31, 2007. The unrestricted net assets of the County were a negative \$ 75,352.
- For the fiscal year, program and general revenues of the County's governmental activities totaled \$ 1,104,829. Expenses totaled \$ 1,162,777 including operating transfers out of \$ 19,073.
- For 2007, revenues of the County's business-type activities were \$ 230,254 including operating transfers in of \$ 19,073. Expenses totaled \$ 237,958.

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting.

- As of December 31, 2007, the County's governmental funds reported combined ending fund balances of \$ 116,278, as compared to \$ 99,943 for the year ended December 31, 2006 (as restated).
- As of December 31, 2007, unreserved fund balance for the General Fund was \$ 16,568 or 1.7% of total General Fund expenditures. At the end of the 2006 fiscal year the unreserved fund balance of the General Fund was \$ 5,942.

FINANCIAL HIGHLIGHTS (CONTINUED):

Highlights for Fund Financial Statements (Continued)

- The County's enterprise funds had combined net assets of \$ 203,597 as of December 31, 2007, compared to \$211,301 as of December 31, 2006 (as restated).

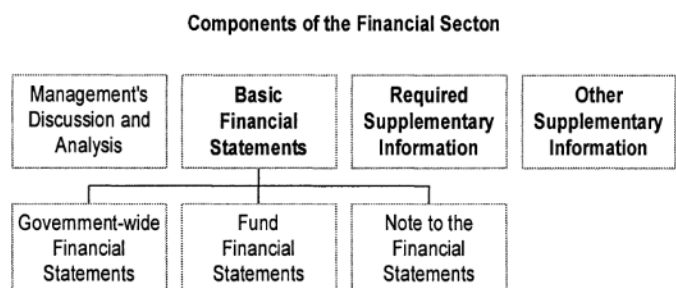
General Financial Highlights

- In June 2007, the County issued \$ 32,625 of General Obligation Bonds to finance various capital needs.
- In November 2007, the Airport, an enterprise fund of the County, issued \$ 13,445 of revenue bonds for various capital improvements at General Mitchell International Airport.
- Prior to 2007 the County reported the financial activities of the Behavioral Health Division (BHD) as an enterprise fund. In 2007, it was determined that BHD no longer operates as a business-type entity. As of 2007, BHD's financial activity is reported as part of the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The financial section of this annual report consists of four parts: (1) management's discussion and analysis (presented here), (2) basic financial statements that includes the government-wide financial

statements, fund financial statements and notes to the financial statements, (3) required supplementary information, and (4) other supplementary information.



The County's basic financial statements consist of two kinds of statements each with a different view of the County's finances. The government-wide financial statements provide both long- and short-term information about the County's overall financial status. The fund statements focus on major aspects of the County's operations, reporting those operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The statements and notes are followed by required supplementary information that contains the trend data pertaining to the retirement systems. Directly following this information is other supplementary information with combining and individual fund statements and schedules to provide details about the governmental, internal service, and fiduciary funds.

Government-wide Financial Statements

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of Milwaukee County's finances in a manner similar to a private-sector business.

The first government-wide statement- *the statement of net assets*- presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The second statement- *the statement of activities*- presents information showing how the County's net assets changed during 2007. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for not only current uses of cash flow but also for items that will result in cash flows in a future fiscal period (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of Milwaukee County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Milwaukee County include legislative, executive and staff, general government, courts and judiciary services, public safety, public works and highways, human services, and parks, recreation and culture. The business-type activities of Milwaukee County include the Airports and the Transit System.

The government-wide financial statements include the County's governmental and business-type activities (collectively referred to as the primary government), but also legally separate entities (known as discretely presented component units) for which the County is financially accountable. Together, the primary government and its discretely presented component units are referred to as the reporting entity. The Milwaukee Public Museum, the Milwaukee County Research Park, the Milwaukee County War Memorial Center, and the Marcus Center for Performing Arts are the County's discretely presented component units.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (Continued)

Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 48-50 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Milwaukee County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Milwaukee County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in other supplementary financial information. These non-major governmental funds are all special revenue funds of the County.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds (Continued)

The County adopts an annual appropriated budget for its general fund, debt service fund, and its capital projects funds. A budgetary comparison statement has been provided for the general fund to demonstrate budgetary compliance in the basic financial statements. Budgetary comparisons for other funds with adopted budgets have been included in other supplementary financial information. In addition, a general fund budgetary comparison by department is also included in other supplementary information.

The governmental fund financial statements can be found on pages 51-53 of this report.

Proprietary funds

The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities of the Airports and the Transit System. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its public works services, information management services, and its risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The financial statements of the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airports and the Transit System, which are considered to be major funds of the County. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the other supplementary financial information.

The proprietary fund financial statements can be found on pages 56-58 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Fiduciary funds (Continued)

statements because the resources of these funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, the economic resources measurement focus and the accrual basis of accounting.

The County's fiduciary funds consist of a pension trust fund and agency funds. The pension trust fund is used to account for the assets held in trust by the County for the employees and beneficiaries of its defined pension plan- the Employees' Retirement System, and the OBRA Retirement System. The agency funds are used to account for monies received, held, and disbursed on behalf of the State of Wisconsin Court System located in the County; fee collections, as mandated by the State; social service clients; and certain other local governments.

The fiduciary fund financial statements can be found on pages 59-60 of this report.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

The notes can be found on pages 63-138 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees.

Required supplementary information can be found on pages 139-143 of this report.

Other Supplementary Information.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions as other supplementary information. Budgetary comparison for the major funds is also provided in this section. Combining and individual fund statements and schedules can be found on pages 144-161 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements are provided as part of the new approach mandated by the Governmental Accounting Standards Board (GASB). GASB sets the uniform standards for presenting government financial reports. Complete comparative information is provided in this the Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Milwaukee County, assets exceeded liabilities by \$ 388,986 at the close of the fiscal year. The County's net assets decreased for this fiscal year by \$ 65,652.

County of Milwaukee, Wisconsin

Net Assets

(In Thousands)

	Governmental Activities		Business-type Activities		Primary Government Total	
	2007	2006*	2007	2006*	2007	2006
Current and Other Assets	\$ 542,452	\$ 499,067	\$ 112,368	\$ 120,838	\$ 654,820	\$ 619,905
Long-Term Assets	3,318	4,442	-	-	3,318	4,442
Capital Assets	620,693	643,434	360,292	353,527	980,985	996,961
Total Assets	1,166,463	1,146,943	472,660	474,365	1,639,123	1,621,308
Current Liabilities	481,335	447,833	50,994	47,712	532,329	495,545
Long-term Liabilities	499,739	455,773	218,069	215,352	717,808	671,125
Total Liabilities	981,074	903,606	269,063	263,064	1,250,137	1,166,670
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	207,437	218,614	182,931	190,947	390,368	409,561
Restricted	55,800	39,594	18,170	16,181	73,970	55,775
Unrestricted (Deficit)	(77,848)	(14,871)	2,496	4,173	(75,352)	(10,698)
Total Net Assets	\$ 185,389	\$ 243,337	\$ 203,597	\$ 211,301	\$ 388,986	\$ 454,638

*In 2006 the Behavioral Health Division (BHD) was reported as a business-type activity. In 2007, it was reported as a governmental activity. The 2006 amounts reported above have been adjusted to report BHD as a governmental activity.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the County's net assets reflects its investment in capital assets (e.g. land, land improvements, buildings, vehicles, equipment and infrastructure, net of depreciation and amortization) less the outstanding debt that was used to acquire those assets. For 2007, the balance of capital assets net of related debt was \$ 390,368. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's

investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Indirectly, the depreciation of capital assets is an expense for proprietary funds and therefore, as an expense, is available to be reimbursed through user fees of those funds.

Composition of Net Assets of the Primary Government
As of December 31, 2007
(In Thousands)

	Primary Government	
	Total	
	2007	2006
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	\$ 390,368	\$ 409,561
Restricted	73,970	55,775
Unrestricted	(75,352)	(10,698)
Total Net Assets	\$ 388,986	\$ 454,638

The restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets at the end of 2007 totaled \$ 73,970. This amount is subject to external restrictions, some of which include debt service, airport passenger facility charges (PFC) revenue and the airports capital projects. The airport PFC revenue is restricted for airport bond repayment and future airport capital needs. Unrestricted net assets represent the remaining amount of net assets that are neither related to capital assets nor are restricted for specific purposes. The increase in the restricted net assets for 2007 is due in part to the transfer of \$ 9,852 of funds to a Behavioral Health Division Special Revenue Fund. The transfer represented funds charged to State and Federal entities and the County and collected by the former DHHS – Behavioral Health Division (BHD) enterprise fund for the accrued cost of retirement payments for sick and vacation of their employees. These funds will be paid out by the special revenue funds as BHD employees retire. The increase in restricted net assets is further due to the restriction \$ 5,779 of Aging Care Maintenance Organization funds as required in a contractual agreement with the State of Wisconsin. The remaining increase in restricted net assets is due to an increase in the Debt Service Reserve as approved by the County Board.

The unrestricted net assets were a negative \$ 75,352 at the end of 2007. The unrestricted net assets decreased in 2007, as it was the first year in which the County reported other post employment benefits (OPEB) costs of \$ 47,678 in accordance with Governmental Accounting Standards Board Statement 45. Additional information on the County's OPEB plans can be found in Note 14 on pages 121-129 of this report. In addition, the County increased its estimate of unfunded claims and judgments due to the uncertainty of those claims.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities

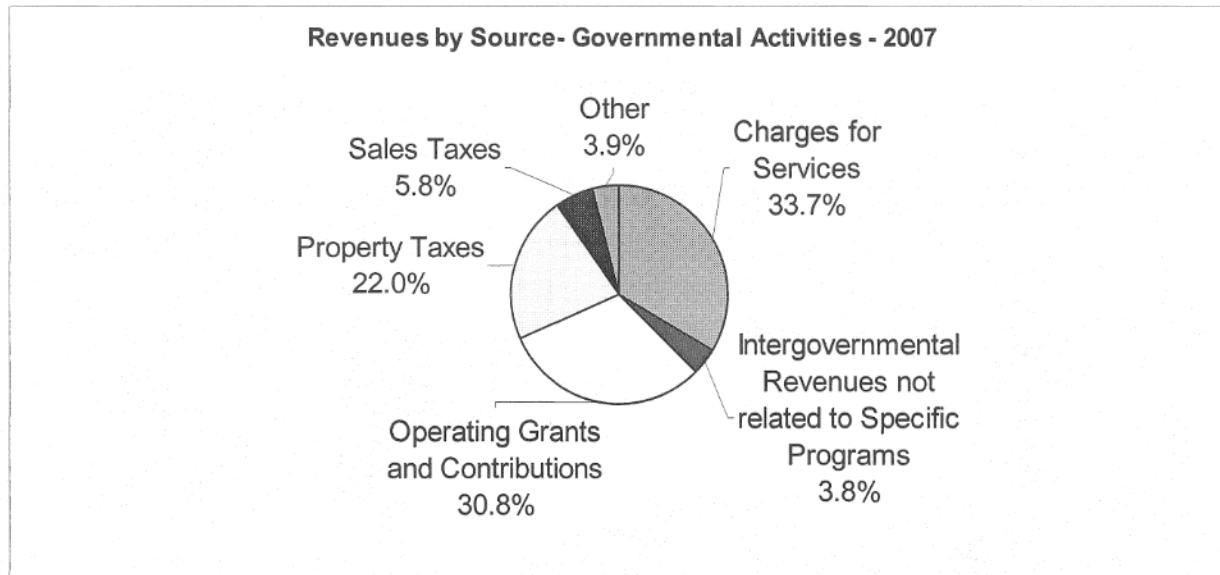
The following table provides the summary of the changes in net assets for the primary government for the fiscal years ended December 31, 2007 and 2006:

County of Milwaukee, Wisconsin Summary of Changes in Net Assets (In Thousands)						
	Governmental Activities		Business-type Activities		Primary Government Total	
	2007	2006*	2007	2006*	2007	2006
Revenues:						
Revenues:						
Program Revenues:						
Charges for Services	\$ 372,400	\$ 329,066	\$ 117,002	\$ 115,680	\$ 489,402	\$444,746
Operating Grants and Contributions	340,634	341,739	82,548	79,378	423,182	421,117
Capital Grants and Contributions	3,229	45	9,532	10,203	12,761	10,248
General Revenues:						
Property Taxes	243,144	234,317	-	-	243,144	234,317
Sales Taxes	63,613	63,654	-	-	63,613	63,654
Intergovernmental Revenues not Related to Specific Programs	42,387	41,332	-	-	42,387	41,332
Investment Income and Rents	16,329	12,185	2,070	1,698	18,399	13,883
Gain on Sale of Capital Assets	96	93	29	31	125	124
Other-Revenue	22,997	22,456	-	-	22,997	22,456
Total Revenues	1,104,829	1,044,887	211,181	206,990	1,316,010	1,251,877
Expenses:						
Legislative, Executive, and Staff	70,318	65,242	-	-	70,318	65,242
Courts and Judiciary	64,486	58,432	-	-	64,486	58,432
General Governmental Services	8,545	9,884	-	-	8,545	9,884
Public Safety	178,063	146,410	-	-	178,063	146,410
Public Works and Highways	80,433	64,445	-	-	80,433	64,445
Human Services	637,120	569,309	-	-	637,120	569,309
Parks, Recreation, and Culture	81,779	72,361	-	-	81,779	72,361
Other	6,996	14,587	-	-	6,996	14,587
Interest	15,964	16,520	-	-	15,964	16,520
Airport	-	-	68,401	64,254	68,401	64,254
Transit	-	-	169,557	163,619	169,557	163,619
Total Expenses	1,143,704	1,017,190	237,958	227,873	1,381,662	1,245,063
Change in Net Assets Before Transfers	(38,875)	27,697	(26,777)	(20,883)	(65,652)	6,814
Transfers	(19,073)	(23,059)	19,073	23,059	-	-
Change in Net Assets	(57,948)	4,638	(7,704)	2,176	(65,652)	6,814
Net Assets- Beginning of the Year (As Restated)	243,337	238,699	211,301	209,125	454,638	447,824
Net Assets- End of the Year	\$ 185,389	\$ 243,337	\$ 203,597	\$ 211,301	\$ 388,986	\$454,638

*In 2006 the Behavioral Health Division (BHD) was reported as a business-type activity. In 2007, it was reported as a governmental activity. The 2006 amounts reported above have been adjusted to report BHD as a governmental activity.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities



Revenues for the County's governmental activities were \$ 1,104,829 for the fiscal year 2007, representing an increase of \$ 59,942, or 5.7%, over fiscal year 2006. Sources of revenue for 2007 as a percentage of total revenues are shown above. Charges for Services constitute the largest source of County revenues, amounting to \$ 372,400 for fiscal year 2007, an increase of \$ 43,334 over 2006. Charges for services represent collections from those who directly benefit from County services. Charges for Services related human service programs increased \$ 43,964 in 2007. Prior to 2007, revenue from the County Health Programs General Assistance Medical Program (GAMP) had been reported as Intergovernmental Revenue. The State now requires the County to report GAMP revenue under Charges for Services. This change caused Charges for Services to increase by \$ 29,106 in 2007. The actual increase in GAMP revenue from 2006 to 2007 was \$ 658, or 1.6%. Charges for Services related to the Department of Aging's Care Maintenance Organization increased by \$ 14,846 over the prior year due to an increase in the number of clients. The Behavioral Health Division's Charges for Services increased by \$ 10,656 due primarily to a reclassification of certain client revenues which had been reported as Other Revenue in 2006.

Property tax revenue increased by \$ 8,827 over the prior year; however, property tax revenue as a percent of total governmental activity revenues decreased from 22.4% to 21.9%.

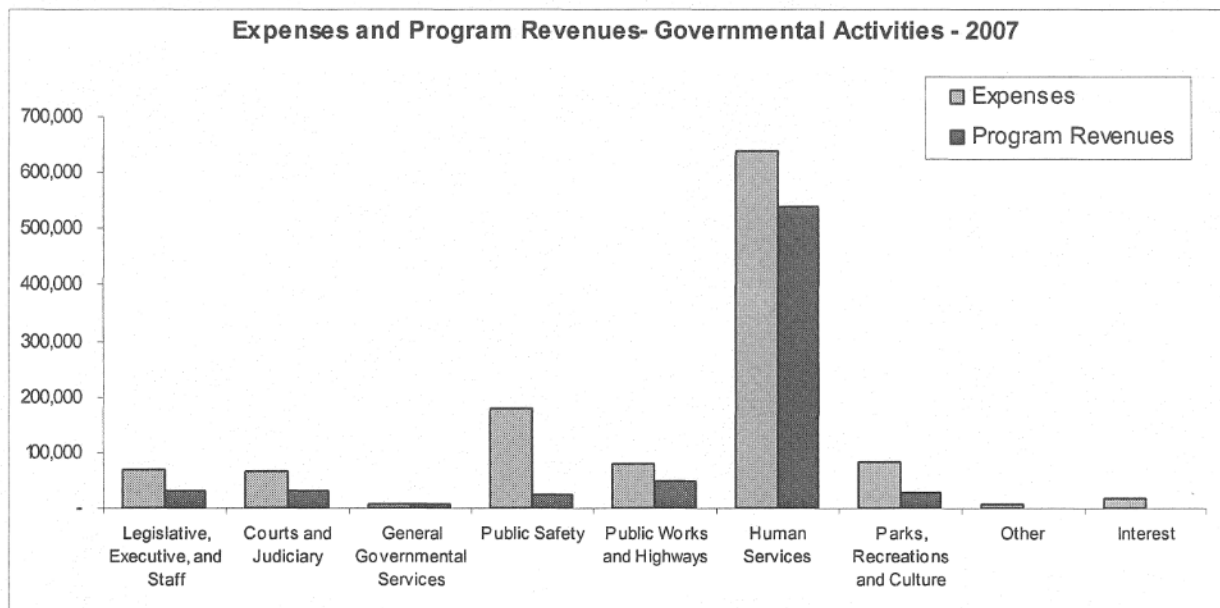
Operating grants and contributions continue to support a significant portion of County services with \$ 340,634 of revenue in 2007. Operating grants and contributions generally represent federal and state grant revenues. \$ 252,592 of the 2007 operating grants and contributions supported human service programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

Total expenses for all of the County's governmental activities for the fiscal year 2007 were \$ 1,143,704, representing an increase of \$ 126,514, or 12.4% over 2006. As the chart below indicates, human service programs continue to represent the County's largest expense category, totaling \$ 637,120 in 2007, an increase of \$ 67,811 over 2006. Costs for County Health Programs increased \$ 24,487, Department on Aging costs increased \$ 18,489, and Department of Health and Human Services costs increased by \$ 11,835 over 2006. The net tax contribution for human services was \$ 98,063, a 31.1% increase over 2006.

Public safety represents the second largest expense category totaling \$ 178,063 for the operation of correctional facilities, pre-trial holding facilities, county sheriff services, and the district attorney. Public safety expenses increased by \$ 31,653, or 21.6%, over the prior year. House of Correction's operating costs increased by \$7,069 over 2006. In addition, Public Safety costs related to long-term liabilities such as compensated absences and unfunded claims increased by \$ 14,447. An additional \$ 6,805 of the increase in Public Safety expenses was due to increased depreciation expense and disposal of capital assets. The net 2007 tax contribution for public safety was \$ 152,421, a 25.7% increase over 2006.



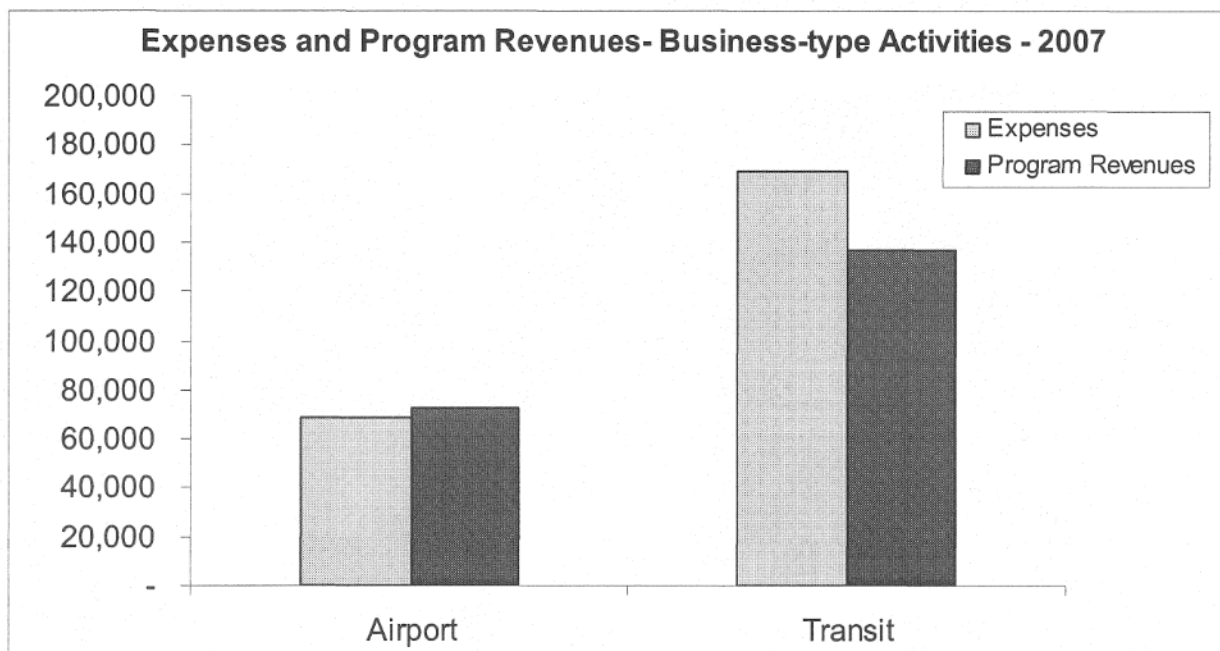
Business-type activities

In 2007, the Airports revenue from fees charged to airlines for use of the airports, including fees received from ancillary services of the airports, exceeded its annual operating costs. Operating transfers are negligible for the Airports.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type activities (Continued)

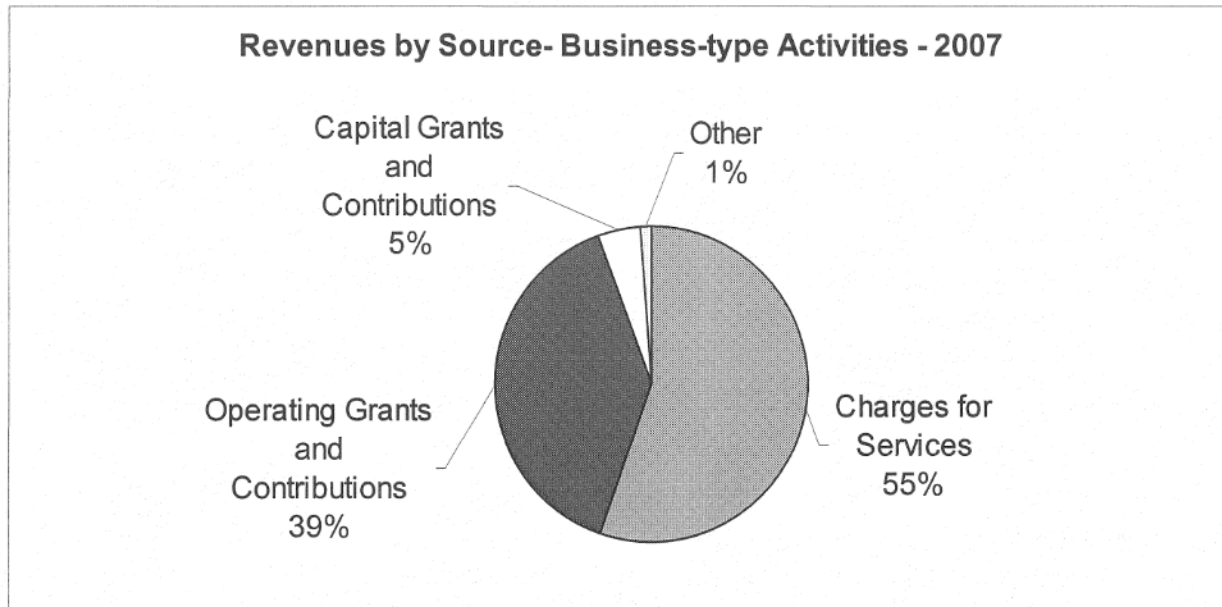
The Transit System requires operating assistance from the governmental activities funds to balance its revenues and expenses. Total governmental activity operating support through operating transfers for the Transit System was \$ 21,909 for fiscal year 2007. Total state and federal grants for the Transit System was \$ 82,513 for 2007. Grant revenue to the Transit System is an increase of \$13,378 over the 2006 fiscal year. Direct support from users of the Transit System was \$ 48,411 or 28.7% of total expenses. The Transit System uses federal grant funds to purchase capital assets and pay for maintenance parts and tires. State funding is available to cover general operating costs; however, this grant funding has been fixed in recent years.



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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type activities (Continued)



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds.

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, the County's governmental funds reported combined ending fund balances of \$ 116,278. *Unreserved fund balance* of \$16,568 represents 14.2% of the total fund balance, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has been committed. The reserved fund balance consists of \$ 1,269 for inventories, \$ 29,793 for encumbrances, \$ 6,071 for debt service, \$ 4,901 for 2008 appropriations, \$ 7,947 for 2009 appropriations, \$ 9,671 for the Behavioral Health

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (CONTINUED)

Governmental funds (Continued)

Division, \$ 5,779 for the Department of Aging Care Maintenance Organization, and \$ 34,279 for endowments, bequests, restricted donations, and restricted user fees. Restricted user fees are Airport passenger facilities charges (PFC) collected by Airlines that are restricted for revenue bond debt and or future capital needs of the Airports. These fees are recorded in the non-major governmental funds. The general, debt service, and capital projects funds are reported as major funds.

The general fund is the chief operating fund of the County. At December 31, 2007, unreserved fund balance of the general fund was \$ 16,568 while total fund balance was \$ 48,274. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 1.7% of total fund expenditures, while total fund balance represents 5.1% of that same amount.

The fund balance of the County's general fund increased by \$ 7,743 during the 2007 fiscal year. Cost saving measures, an increase in the reserve for encumbrances, and the application of 2007 tax levy to offset a prior year deficit led to this increase, plus the lapse of unspent capital project bond proceeds.

The debt service fund has a total fund balance of \$ 6,071 all of which is reserved for the payment of debt service. The net increase in the debt service reserve for the current year was \$ 498. The reserve was used in 2007 for debt service interest costs, but was replenished with a \$ 2,000 transfer from general fund reserves.

The capital projects fund has a total fund balance of \$ 17,983 all of which is reserved for commitments made on capital projects in progress. The net increase in fund balance during the current year in the capital projects fund was \$ 9,996. The fund balance increased due to additional unspent bond proceeds at the end of 2007. The County issued debt in November 2007 for capital projects and was unable to complete all of the capital projects associated with the debt issued by the end of 2007.

Proprietary funds.

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of 2007, unrestricted net assets of the two major funds, the Airports and the Transit System, totaled \$ 2,496. Total net assets of these same two major funds were

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (CONTINUED)

Proprietary funds (Continued)

\$ 203,597 at the end of 2007, compared to \$ 211,301 at the end of 2006. The total net assets for the Airports increased by \$ 3,580 while total net assets for the Transit System decreased by \$ 11,284.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund
Statement of Revenues, Expenditures and Changes in Net Assets - Budgetary Basis
For the Year Ending December 31, 2007
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues and Other Sources</u>				
Taxes	\$ 308,370	\$ 308,451	\$ 306,125	\$ (2,326)
Intergovernmental Revenue	357,734	362,266	363,920	1,654
Charges for Services	324,260	346,620	341,137	(5,483)
Other	47,672	47,375	49,327	1,952
Total	\$1,038,036	\$1,064,712	\$1,060,509	\$ (4,203)
<u>Expenditures and Other Uses</u>				
Expenditures	\$ 943,377	\$ 985,335	\$ 958,168	\$ 27,167
Transfers	94,659	79,377	99,880	(20,503)
Total	\$1,038,036	\$1,064,712	\$1,058,048	\$ 6,664
Change in Fund Balance	\$ -	\$ -	\$ 2,461	\$ 2,461

As shown above, revenues and other financing sources exceeded expenditures and other financing uses by \$ 2,461 in the General Fund for the year ended December 31, 2007. This table is based on a budgetary basis presentation. The budgetary basis of actual revenues and expenditures presented above differs from the combined statement of revenues, expenditures, and changes in net assets due to the inclusion of encumbrances of \$ 9,946 in expenditures offset by the inclusion of the contribution from reserves for 2007 appropriations of \$ 4,664.

Actual General Fund revenues were below the budgeted revenues by \$ 4,203 during fiscal year 2007. Variances between budget and actual amounts for taxes and intergovernmental revenues were less than 1% of the amount budgeted.

Charges for Services were \$ 5,483, or 1.6% below the final budget. 2007 Parks and Recreation Charges for Services fell \$ 2,556 short of the amount budgeted due primarily

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

to the following shortfalls: Zoo \$ 800, Golf Course fees \$ 638, and Pool fees \$ 988. General Governmental fees were \$ 1,148 under budget during 2007 due primarily to the decline in home sales, which resulted in reduced recording and transfer fees collected by the Register of Deeds.

Other Revenues exceeded the budget by \$ 1,952. Investment income exceeded the budget by \$ 7,084 due to higher than anticipated returns on County investments.

Actual General Fund expenditures were lower than the final budget by \$ 6,664. General Fund departmental spending was \$ 27,167, or 2.8%, below the amount budgeted while transfers to other funds exceeded the budget by \$ 20,503. The following General Fund departments were below budgeted expenditures by more than \$ 1,000 for 2007: Human Services \$ 2,749, Child Support Enforcement \$ 1,921, Department on Aging Care Maintenance Organization \$ 1,774, Register of Deeds \$ 1,155, and Parks \$ 1,090.

Transfers to Other Funds represent amounts transferred to other funds such as debt service, capital projects, internal service funds, and transit. When revenues fall short of expenditures in each of these funds, the County uses non-departmental revenues such as property tax and state shared revenue to provide financial support to these other funds. The revenue is allocated through an operating transfer from the General Fund.

There are three basic reasons for increases between the original budget and the amended budget: fund transfer requests from departments, carryover of capital outlay and the associated revenue from the prior year, and carryover of encumbrances from the prior year. The encumbrance carryover process is automatic each year, and is authorized by Wisconsin State statute and Milwaukee County ordinance. The carryover of capital outlay and the associated revenue is also authorized by State statute and is approved by the County Board on a preliminary basis in March and finalized in April. During the fiscal year, the County Board receives fund transfer requests from departments. These transfer requests are reviewed and approved by the County Board.

The \$ 26,676 difference between the original budget revenue of \$ 1,038,036 and the final budget revenue of \$ 1,064,712 is due to the following:

- Net revenue increase of \$16,382 in the State of Wisconsin 2007 Care Management Organization (CMO) for Family Care costs. This includes \$11,882 in capitation reimbursement and \$4,500 in member cost share revenue.
- The Department of Health and Human Services (DHHS) and Behavioral Health Division (BHD) reflects a revenue increase of \$ 1,201 from a settlement between the Behavioral Health Division and CMS-Medicaid for the actual cost per day to provide inpatient care to BHD clients.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

- \$1,316 revenue increase for the CIP 2 Community Relocation Initiative and the Children's Long Term Support Program requested by the Department of Health and Human Services.
- The Department of Health and Human Services increased revenue of \$2,550 of which \$2,000 is for Medical Assistance Transportation and \$550 for burial aid. The State Department of Health and Family Services fund these programs through a contract with Milwaukee County.
- \$1,700 in surplus revenue from the Medicare Cost Report Settlement for the Behavioral Health and Human Services Division to offset the increase for medical drugs, security costs and food for client cares.
- \$7,300 for General Assistance Medical Program (GAMP) from the State of Wisconsin, who have worked together to increase the federal claim for uncompensated hospital expenditures associated with GAMP. The amount of the increased match will be completely offset by an equivalent amount of revenue.
- \$4,800 decreased in revenue from the Department of Health and Human Services (DHHS) and DHHS-County Health Programs (CHP) from paramedic runs based on a change in the funding mechanism for municipal Emergency Medical Services (EMS).

The difference between the original budget expenditures of \$ 943,377 (before transfers) and the final budget expenditures of \$ 985,335 (before transfers) resulted in an increased appropriation of \$ 41,958 due to the following:

- The CMO expenditures increase \$16,382, including \$14,382 for contractual care management unit services and \$2,000 for Bad Debt Expense.
- The increased amount of patients at the Behavioral Health Division increased expenditures by \$1,201 of which \$601 was for the increase cost of drugs. In addition, there was increasing costs of \$100 for food, \$200 for heating, \$200 for security, and \$100 for household supplies.
- Department of Health and Human Services expenditures increased by \$1,316 of which \$1,052 was for client services, \$79 for salary and social security and CLTS client service in the amount of \$172 and \$13 for administrative costs.
- Department of Health and Human Services expenditures increased by \$2,550 for the Medical Assistance (MA) Transportation Program, the State of Wisconsin Funeral and Cemetery Aids Program (WFCAP). The State Department of Health and Family Services funds these programs through a contract with Milwaukee County.
- \$1,700 to realign expenditures with Behavioral Health Division.
- \$7,300 to align the Department of Health and Human Services 2007 Adopted Budget with the actual 2007 State/County Contract for the provision of various human services.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Transfers also represent the net budgeted funds to be provided by the General Fund to provide support to the remaining governmental fund departments, proprietary fund departments, and component units (original budget of \$ 94,659 and amended budget of \$ 79,377). The net contribution actually made by the General Fund to other funds was \$ 93,524. The General Fund collects all of the property tax and sales tax revenues of the County, which was \$ 306,125 for 2007. The General Fund also collected intergovernmental revenues not related to a specific program of \$ 42,387. These revenues are then transferred at the end of the year to the other governmental funds and the proprietary funds to offset any shortfalls between revenues and expenditures. Any gains in these same funds are returned to the General Fund, except for the Airport, who is required to maintain any gains or losses as part of its lease agreements and revenue bond agreements. The change in transfers between the original budget and the amended budget is due to the net changes in carryovers and encumbrances between years, and any net transfers made from the general fund to proprietary fund departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Milwaukee County's investment in capital assets for its governmental and business-type activities as of December 31, 2007 was \$ 980,985 (net of accumulated depreciation of \$ 909,187). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery, vehicles and equipment, and infrastructure. All infrastructure assets of the County are included in this report. The County's total investment in capital assets for the current fiscal year decreased by 1.6% (a 3.5% decrease in governmental activities and a 1.9% increase for business-type activities). In 2007, the County performed a detailed review of its capital asset records. This resulted in a decreased in the amount of capital assets recorded due to the removal of assets that had been disposed of or had become obsolete. Major capital asset events in the current year included the following:

- The Airport continued several capital projects, including Runway Safety Improvements. Because the GMIA Runway Safety Improvement project is Airport Improvement Program (AIP) eligible, the majority of project funding \$ 897 is provided through federal and state AIP grant dollars. The remaining portion \$ 128 will be funded via the GMA Capital Improvement Reserve.
- Other Airport capital improvements include enhancements to the Baggage screening system for a cost of \$ 1,230.
- Park's continued various infrastructure improvements for a cost of \$ 1,427.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Milwaukee County's Capital Assets (Net) (In Thousands)						
	Governmental Activities		Business-type Activities		Primary Government Total	
	2007	2006*	2007	2006*	2007	2006
Land	\$ 59,520	\$ 59,520	\$ 21,366	\$ 22,441	\$ 80,886	\$ 81,961
Land Improvements	109,708	88,595	55,424	43,160	165,132	131,755
Building and Improvements	307,924	310,773	205,645	116,847	513,569	427,620
Furniture, Vehicles & Equipment	46,594	46,324	61,411	68,057	108,005	114,381
Infrastructure	78,860	77,313	-	-	78,860	77,313
Construction in Progress	18,087	60,909	16,446	103,022	34,533	163,931
Total	\$ 620,693	\$ 643,434	\$ 360,292	\$ 353,527	\$ 980,985	\$ 996,961

*In 2006 the Behavioral Health Division (BHD) was reported as a business-type activity. In 2007, it was reported as a governmental activity. The 2006 amounts reported above have been adjusted to report BHD as a governmental activity.

Additional information on the County's capital assets can be found in Note 5 on pages 97-103 of this report.

Long-term debt

At December 31, 2007, the County had total debt outstanding of \$ 636,539. Of this amount, \$ 452,326 comprised of general obligation bonds and \$ 184,213 of airport revenue bonds.

Milwaukee County's Outstanding Debt General Obligation and Revenues Bonds						
	Governmental Activities		Business-type Activities		Total	
	2007	2006*	2007	2006*	2007	2006
General Obligation Bonds	\$ 422,851	\$ 424,820	\$ 29,475	\$ 31,777	\$452,326	\$456,597
Revenue Bonds	-	-	184,213	178,025	184,213	178,025
Totals	\$ 422,851	\$ 424,820	\$213,688	\$209,802	\$636,539	\$634,622

*In 2006 the Behavioral Health Division (BHD) was reported as a business-type activity. In 2007, it was reported as a governmental activity. The 2006 amounts reported above have been adjusted to report BHD as a governmental activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-term debt (Continued)

The County's total debt increased by \$ 1,917 during the year ended December 31, 2007. This increase is a combination of a net increase in revenue bonds of \$ 6,188 and a net decrease in general obligation bonds of \$ 4,271. Revenue bond proceeds, from newly issued revenue bonds, exceeded the principal payments on the revenue bonds. General obligation bond principal payments exceeded the proceeds received from newly issued general obligation bonds therefore general obligation debt decreased.

New general obligation bonds were issued in May 2007 for \$ 32,625 to finance the following capital projects: highways and bridges \$ 4,401; transit bus replacement and improvement, DHHS building renovation and improvement, parking lot construction, parks, recreational, and cultural facilities and general government buildings and related improvements for \$ 28,144; and public art acquisition, construction and improvements for \$ 80. New airport revenue bonds were issued in November 2007 for \$ 13,445, with a premium of \$ 256 to finance the Inline Baggage screening improvements for \$ 10,536, HVAC replacements in the terminal for \$ 1,810, roof replacement of the air cargo building for \$ 915, and debt service reserve deposit of \$ 440.

Additional information on the County's long-term debt can be found in Note 8 on pages 105-115 of this report.

Economic Factors and Next Year's Budget and Rates

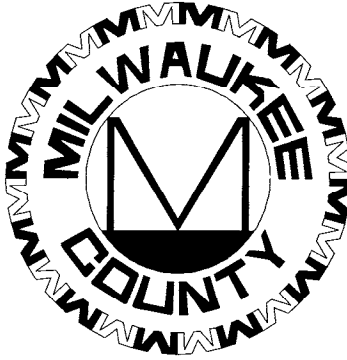
- Milwaukee County unemployment rate increased from 5.7% in 2006 to 6.0% in 2007. The national average unemployment rate for 2007 was 4.6%.
- Equalized value of taxable property increased to \$ 67.1 billion in 2007 from \$ 63.6 billion in 2006.

During the 2007 fiscal year, the County had a net excess of revenues over expenditures of \$ 7,947 after considering net revenue from operations and changes in reserve balances. This excess is identified on the governmental funds balance sheet as a Reserved for 2009 Appropriations, and will be added to the revenue of the 2009 budget.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Milwaukee County Court House, 901 North 9th Street, Room 308, Milwaukee, WI 53233.

BASIC FINANCIAL STATEMENTS



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COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2007
(In Thousands)

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units
ASSETS				
Current Assets:				
Cash and Investments	\$ 172,949	\$ 55,870	\$ 228,819	\$ 9,004
Cash and Investments -- Restricted	38,382	38,650	77,032	-
Receivables:				
Accounts (Net of Allowances for Doubtful Accounts)	12,739	4,976	17,715	920
Property Taxes:				
Current Levy	250,733	-	250,733	-
Delinquent	11,778	-	11,778	-
Accrued Interest and Dividends	5,615	-	5,615	24
Notes	1,124	-	1,124	-
Other	8,839	3,848	12,687	-
Due From Other Governments	36,778	3,620	40,398	-
Inventories	1,917	3,093	5,010	63
Prepaid Items	1,598	278	1,876	235
Other Post Employment Benefit Asset	-	1,844	1,844	-
Other Assets	-	189	189	-
Total Current Assets	<u>542,452</u>	<u>112,368</u>	<u>654,820</u>	<u>10,246</u>
Noncurrent Assets:				
Long-term Investments	-	-	-	4,113
Contributions Receivable	-	-	-	626
Notes Receivable	2,895	-	2,895	-
Deferred Charges	423	-	423	-
Other Assets	-	-	-	500
Capital Assets (Net)				
Land	59,520	21,366	80,886	-
Construction in Progress	18,087	16,446	34,533	936
Land Improvements	230,213	141,544	371,757	-
Buildings and Improvements	633,812	330,495	964,307	38,603
Infrastructure	138,062	-	138,062	-
Machinery, Vehicles and Equipment	131,892	168,735	300,627	11,199
Less: Accumulated Depreciation	(590,893)	(318,294)	(909,187)	(19,516)
Total Capital Assets (Net)	<u>620,693</u>	<u>360,292</u>	<u>980,985</u>	<u>31,222</u>
Total Noncurrent Assets	<u>624,011</u>	<u>360,292</u>	<u>984,303</u>	<u>36,461</u>
Total Assets	<u>\$ 1,166,463</u>	<u>\$ 472,660</u>	<u>\$ 1,639,123</u>	<u>\$ 46,707</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Net Assets
December 31, 2007
(In Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 57,540	\$ 4,767	\$ 62,307	\$ 1,369
Accrued Liabilities	33,406	2,505	35,911	785
Accrued Interest Payable	5,855	1,209	7,064	127
Accrued Pension Payable	49,794	-	49,794	-
Due to Other Governments	2,279	-	2,279	-
Unearned Revenues	251,386	15,960	267,346	4,084
Bonds and Notes Payable - General Obligation	43,790	3,242	47,032	772
Bonds and Notes Payable - Revenue	-	7,415	7,415	-
Net Pension Obligation	4,155	-	4,155	-
Unfunded Claims and Judgments	750	-	750	-
Landfill Postclosure Costs	885	-	885	-
Compensated Absences Payable	25,583	6,727	32,310	-
Risk Claims	5,583	6,216	11,799	-
Capital Leases	-	-	-	247
Other Current Liabilities	329	2,953	3,282	134
Accrued Pension and Postretirement Benefits	-	-	-	561
Total Current Liabilities	481,335	50,994	532,329	8,079
Noncurrent Liabilities:				
Bonds and Notes Payable - General Obligation	379,061	26,233	405,294	23,723
Bonds and Notes Payable - Revenue	-	176,798	176,798	-
Net Pension Obligation	20,214	-	20,214	-
Unfunded Claims and Judgments	19,250	-	19,250	-
Landfill Postclosure Costs	3,350	-	3,350	-
Compensated Absences Payable	26,842	5,583	32,425	-
Risk Claims	3,406	7,149	10,555	-
Other Post Employment Benefits	47,616	1,906	49,522	-
Capital Leases	-	400	400	114
Other Noncurrent Liabilities	-	-	-	27
Accrued Pension and Postretirement Benefits	-	-	-	8,216
Total Noncurrent Liabilities	499,739	218,069	717,808	32,080
Total Liabilities	981,074	269,063	1,250,137	40,159
NET ASSETS				
Unrestricted (Deficit)	(77,848)	2,496	(75,352)	(6,924)
Restricted for:				
Debt Service	6,071	13,049	19,120	-
Aging CMO	5,779	-	5,779	-
Capital Asset Needs	-	5,121	5,121	-
Airport PFC	32,603	-	32,603	-
Other	11,347	-	11,347	5,253
Invested in Capital Assets, Net of Related Debt	207,437	182,931	390,368	8,219
Total Net Assets	185,389	203,597	388,986	6,548
Total Liabilities and Net Assets	\$ 1,166,463	\$ 472,660	\$ 1,639,123	\$ 46,707

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILWAUKEE
Statement of Activities
For The Year Ended December 31, 2007
(In Thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities			Total
			Operating Grants and Contributions	Capital Grants and Contributions					
Functions / Programs									
Primary Government:									
Governmental Activities:									
Legislative, Executive and Staff	\$ (70,318)	\$ 10,153	\$ 19,513	\$ 1,046	\$ (39,606)	\$ -	\$ (39,606)	\$ -	
Courts and Judiciary	(64,486)	4,854	24,857	-	(34,775)	-	(34,775)	-	
General Governmental Services	(8,545)	5,785	82	-	(2,678)	-	(2,678)	-	
Public Safety	(178,063)	6,494	19,148	-	(152,421)	-	(152,421)	-	
Public Works and Highways	(80,433)	32,106	23,170	2,183	(22,974)	-	(22,974)	-	
Human Services	(637,120)	286,465	252,592	-	(98,063)	-	(98,063)	-	
Parks, Recreation and Culture	(81,779)	26,543	1,272	-	(53,964)	-	(53,964)	-	
Other	(6,996)	-	-	-	(6,996)	-	(6,996)	-	
Interest	(15,964)	-	-	-	(15,964)	-	(15,964)	-	
Total Governmental Activities	(1,143,704)	372,400	340,634	3,229	(427,441)	-	(427,441)	-	
Business-Type Activities:									
Airport	(68,401)	64,559	35	8,124	-	4,317	4,317	-	
Transit	(169,557)	52,443	82,513	1,408	-	(33,193)	(33,193)	-	
Total Business-Type Activities	(237,958)	117,002	82,548	9,532	-	(28,876)	(28,876)	-	
Total Primary Government	\$ (1,381,662)	\$ 489,402	\$ 423,182	\$ 12,761	(427,441)	(28,876)	(456,317)	-	
Component Units:									
Museum	\$ (12,168)	\$ 7,839	\$ 3,503	\$ -	-	-	-	(826)	
War Memorial Center	(2,828)	393	1,748	-	-	-	-	(687)	
Marcus Center	(8,144)	3,931	1,280	-	-	-	-	(2,933)	
Research Park Corporation	(2,569)	222	-	-	-	-	-	(2,347)	
Total Component Units	\$ (25,709)	\$ 12,385	\$ 6,531	\$ -	-	-	-	(6,793)	
General Revenues:									
Property Taxes					243,144	-	243,144	-	
Sales Taxes					63,613	-	63,613	-	
Intergovernmental Revenues Not Related to Specific Program					42,387	-	42,387	-	
Investment Income					16,329	2,070	18,399	4,733	
Gain on Sale of Capital Assets					96	29	125	-	
Other -- Revenue					22,997	-	22,997	2,988	
Transfers					(19,073)	19,073	-	-	
Total General Revenues and Transfers					369,493	21,172	390,665	7,721	
Change in Net Assets									
					(57,948)	(7,704)	(65,652)	928	
Net Assets -- Beginning (As Restated)									
					243,337	211,301	454,638	5,620	
Net Assets -- Ending					\$ 185,389	\$ 203,597	\$ 388,986	\$ 6,548	

The notes to the financial statements are an integral part of this statement.



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